Internal Audit Report

Elections Department
April 2002

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April 15, 2002

Don Stapley, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Andrew Kunasek, Supervisor, District III
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2001-02 review of the Elections Department (Elections). The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors.

The highlights of this report include the following:

- Elections administers Intergovernmental Agreements in overall compliance with Arizona Revised Statutes and County policy requirements.

- Elections procures contracts in compliance with statutory and Maricopa County Procurement Code requirements. Our testing of $1.96 million of contract payments found these to be made in accordance with authorized terms.

- Maricopa County's voter registration rate is 55.6 percent, which is lower than six benchmark western U.S. counties (to 59.1% to 89%).

- Elections has established adequate general controls over the physical security, user access, program changes, and disaster recovery planning of its information systems.

Attached are the report summary, detailed findings, recommendations, and Elections management's response. We have reviewed this information with the director and appreciate the excellent cooperation provided by the department's management and staff. If you have questions, or wish to discuss items presented in this report, please contact George Miller at 506-1586.

Sincerely,

(electronic signature)

Ross L. Tate
County Auditor

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Executive Summary

Intergovernmental Agreements

Our review of Intergovernmental Agreements (IGA) administered by Elections found overall compliance with Arizona Revised Statutes (ARS) and County policy requirements. Some minor exceptions were identified and the department should strengthen controls in those areas. Elections has established strong controls over billings and accounts receivables for services that the department provides pursuant to IGAs. No exceptions were found during audit testing.

Contract Administration

Our review of two major Elections contracts found both to be procured in compliance with ARS and Maricopa County Procurement Code requirements. Our testing of contract payments ($1.96 million) found these to be made in accordance with authorized terms. No significant exceptions or control weaknesses were found.

Benchmarking

Six comparable large western U.S. counties have voter registration rates ranging from 59.1 percent to 80 percent. Maricopa County's voter registration rate is 55.6 percent.

Ballot Tabulation

Elections' automatic tabulating equipment and programs have been tested and verified as accurate by the Arizona Secretary of State, as required by ARS. The equipment used in three 2000 elections was tested and no tabulation errors or control weaknesses were identified.

Information Technology Controls

Elections appears to have established adequate general controls over the physical security, user access, program changes, and disaster recovery planning of its information technology. Sound information technology controls are important for protecting the integrity, confidentiality, and availability of data maintained in Elections' systems.

Introduction

Background   The Maricopa County Board of Supervisors (Board) passed a resolution in 1955 creating the Elections Department (Elections). The resolution directs the department to cooperate with the Clerk of the Board (Clerk), to fulfill the Board's legal responsibilities relating to elections, and represent the County Recorder in conducting elections. The Recorder was appointed to handle all Elections operational and administrative matters and the Elections Director serves at the pleasure of the County Recorder.

Elections' charter, approved in 1978, outlines management responsibility and reporting authority for election-related activities by the Board, Clerk, and Recorder. Elections operates under the authority and requirements set forth in several Arizona Revised Statutes (ARS). The primary ones are:

- ARS 16-201: Primary Elections.

- ARS 16-211: General Elections.

- ARS 16-452: Electronic Voting System Instructions and Procedures.

Other pertinent requirements are found in ARS Titles 9, 11, 15, 38 and 48. The department is also subject to the requirements defined by the Federal National Voter Rights Act of 1993.

The Secretary of State prescribes election rules that are presented in an instruction and procedures manual. The Governor and the Attorney General approve the manual, which is updated every two years. Pursuant to ARS 16-452, Elections must abide by these rules.
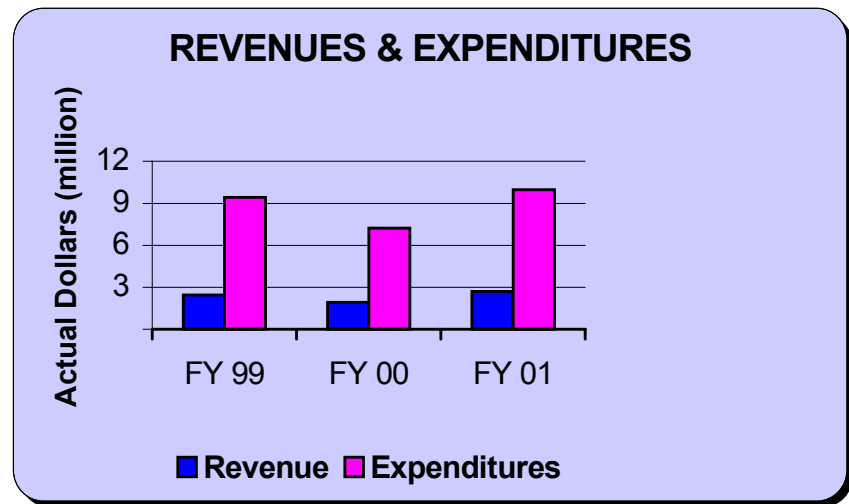
Mission and Goals   Elections mission is to provide access to the electoral process for citizens, jurisdictions, candidates, the legislature, and special interest groups so that they have equal access and may readily participate in elections. The department has established five goals that support its mission.

Elections has also completed a strategic plan as required by the County's Managing for Results project. The plan contains goals and performance standards relating to departmental activities. Additionally, the department has developed management reports to monitor program operational goals and workload statistics.

Revenue and Expenditures

Elections' fiscal year (FY) 2002 operating budget is $6.1 million, which is part of the General Fund. The department's annual budget can range from $6 million, for years with no major elections, to $11 million during General Election years (e.g., FY 1999 and FY 2001). Elections also generates revenues for services that the department provides to other jurisdictions. The graph below shows Elections' revenues and expenditures for the previous three fiscal years.

REVENUES & EXPENDITURES

A bar chart with y-axis labeled "Actual Dollars (million)" ranging from 0 to 12 (marked at 3, 6, 9, 12) and x-axis showing FY 99, FY 00, FY 01. Each year has two bars: Revenue (blue) and Expenditures (magenta).

- FY 99: Revenue ≈ 2.5, Expenditures ≈ 9.5
- FY 00: Revenue ≈ 2, Expenditures ≈ 7.2
- FY 01: Revenue ≈ 2.7, Expenditures ≈ 10

Legend: ■ Revenue ■ Expenditures

Organization Structure

Elections is assigned 54 positions. During elections, 200 part-time employees and 7,000 board workers may be hired. The chart on the following page depicts the department's organizational structure.
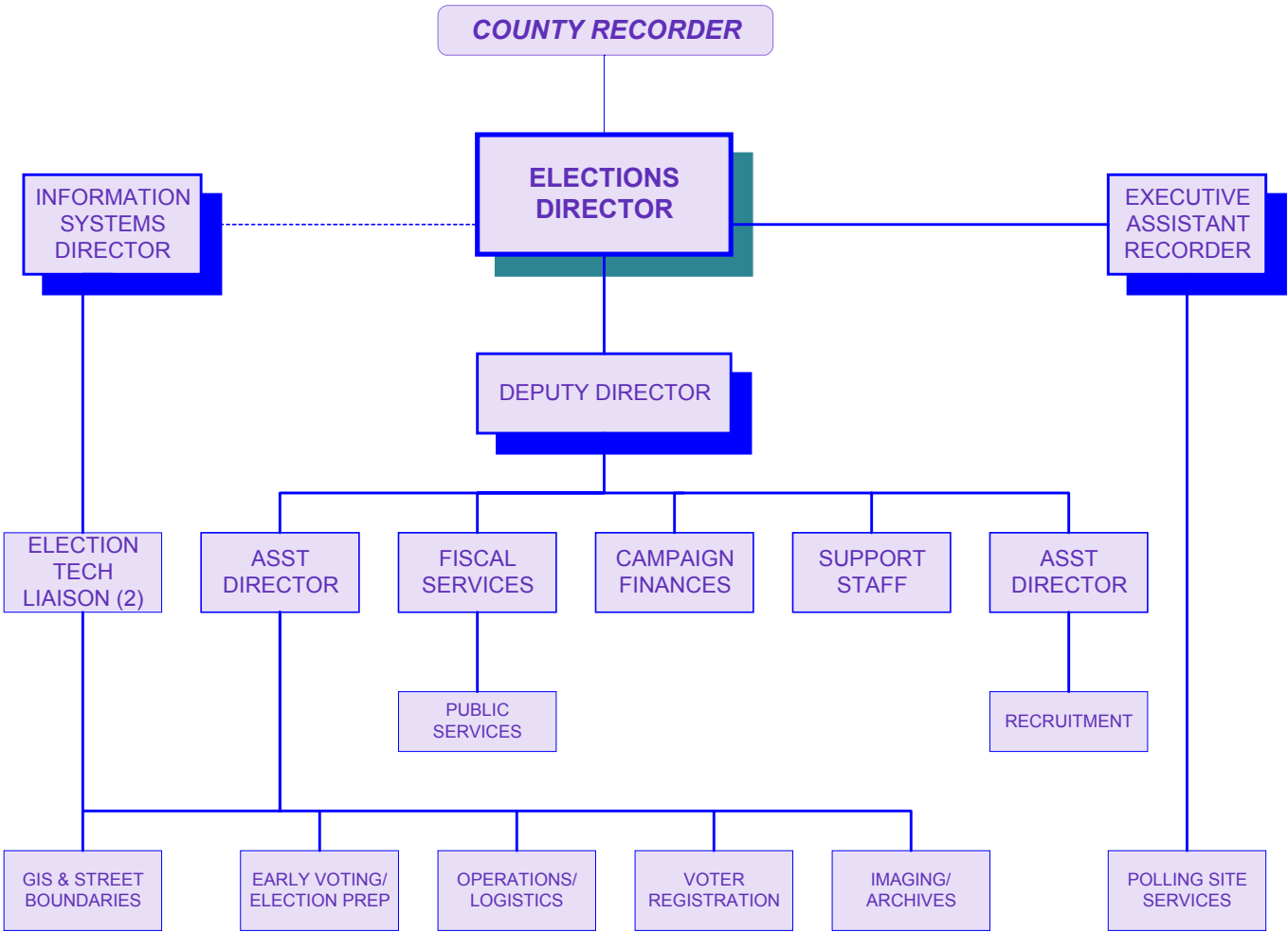
Scope and Methodology

Our Audit objectives were to determine if Elections:

- Establishes IGAs with local governments and special districts in compliance with ARS and County policy requirements.

- Procures and utilizes service and supply contracts in accordance with the requirements established by the Maricopa County Procurement Code and the contracts.

- Ensures that automatic tabulating equipment and programs have been tested and verified as accurate by the Secretary of State.

- Adequately bills and collects revenues due from other governmental units and special districts.

- Has established adequate controls over its information technology.

The audit was performed in accordance with Government Auditing Standards.

Maricopa County Elections Department

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                          │  COUNTY RECORDER    │
                          └─────────────────────┘
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┌──────────────┐          ┌─────────────────────┐          ┌──────────────┐
│ INFORMATION  │ - - - - -│     ELECTIONS       │──────────│  EXECUTIVE   │
│   SYSTEMS    │          │     DIRECTOR        │          │  ASSISTANT   │
│   DIRECTOR   │          └─────────────────────┘          │   RECORDER   │
└──────────────┘                    │                      └──────────────┘
       │                  ┌─────────────────────┐                 │
       │                  │  DEPUTY DIRECTOR    │                 │
       │                  └─────────────────────┘                 │
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ELECTIONS DIRECTOR

DEPUTY DIRECTOR

| ELECTION TECH LIAISON (2) | ASST DIRECTOR | FISCAL SERVICES | CAMPAIGN FINANCES | SUPPORT STAFF | ASST DIRECTOR |

PUBLIC SERVICES

RECRUITMENT

| GIS & STREET BOUNDARIES | EARLY VOTING/ ELECTION PREP | OPERATIONS/ LOGISTICS | VOTER REGISTRATION | IMAGING/ ARCHIVES | POLLING SITE SERVICES |

Department Reported Accomplishments

Elections has provided the Internal Audit Department with the following information to be included in this report.

The Maricopa County Elections Department, among its many honors and recognitions, was rated the top department in the 2000-01 customer satisfaction survey.

- **Early Voting – Improving Voter Access**

Maricopa County created and maintains a state of the art system for conducting the Vote-By-Mail process. The system features the ability to access the voter registration database to research each request to determine the voter's qualification status and to insure they are mailed the correct ballot. The application also enables the department to efficiently process the voter's ballot, verify 100% of voter's signatures and assure the integrity of the election process. Over the last five general elections, the percentage of votes cast by early ballot has risen from 8% to 40%. In 2000, this program officially became part of the Smithsonian's Permanent Research Collection on Information Technology as an example of how information technology is being used to improve society.

- **GIS – Using Technology to Ease the Pain**

On July 12, 2002 we will receive the eGovernance Award of Merit for the Maricopa County On-Line Redistricting System. The system aids in redistricting processes by utilizing GIS technology for the creation of proposed jurisdictional boundaries with related demographic analysis. The project enables Elections Department staff to generate new redistricting plans with a variety of tools and an automatic map producing routine. The generated map combines and visualizes several data types via charts and tables in one consistent format and significantly reduces the time spent producing each plan.

In addition to providing the Arizona Independent Redistricting Commission access to this process, a project specific to the Board of Supervisors redistricting has been developed and used for thirty-one separate Board of Supervisor plans. The project has been used to generate consistent proposals across plans as well as different layer combinations across a single plan.

The website also allows one to draw customized maps selecting from around 20 features such as streets, new and old legislative districts, Indian communities, etc. and to access associated data such as population and voter registration.

- **Pre-clearance Hurdle Cleared**

On March 18, 2002, we received notification from the Department of Justice that they had pre-cleared our proposed Board of Supervisor, Justice of the Peace, and Voting Precinct boundaries. This provides evidence that through a system of public hearings and use of the website above, we have been able to effectively solicit public input and develop jurisdictional lines that promote fair elections.

Issue 1 Intergovernmental Agreements

Summary

Our review of Intergovernmental Agreements (IGA) administered by Elections found overall compliance with ARS and County Policy requirements. Some minor exceptions were identified and the department should strengthen controls in these areas. Elections has established strong controls over billings and accounts receivables for services that the department provides pursuant to IGAs. No exceptions were found during audit testing.

Agreements Between Public Agencies

ARS 11-952 authorizes two or more public agencies to contract for services and enter into intergovernmental agreements (IGA) for joint or cooperative action. However, IGAs must comply with several legal requirements. All IGAs must:

- Specify duration, purpose, manner of financing, and methods of termination.

- Be submitted to each party's attorney for approval.

- Be approved in writing by both agencies' governing authority (e.g., Board of Supervisors, City Council, etc.)

- Be filed with the County Recorder.

Elections provides support to approximately 150 jurisdictions (cities, towns, and fire/water/school/special districts) for election services. The County has developed an IGA that requires jurisdictions to reimburse Elections' costs for materials, supplies, equipment, and personnel required to support the jurisdiction's election. These IGAs are administered by the department.

Compliance with ARS and IGA Requirements

To determine if Elections establishes IGAs with other jurisdictions in accordance with ARS and County Policy requirements, we selected ten IGAs and examined file records and other documentation. We then verified whether the department bills and collects its costs for providing election services to those jurisdictions.

The results of our audit testing are summarized below.

- Formal IGAs had been established with nine of the ten test sample agencies and all were approved by the Board.

- Four IGAs lacked required signatures (attorney and or attestation) of the non-County agency.

- 14 billings ($279,409 total) were made pursuant to the ten IGAs and all were found to comply with the applicable requirements. No control weaknesses were identified.

- Payments for all 14 billings were made by the other jurisdictions and deposited with the Treasurer's Office less than 120 days of the billing date.

- Elections closely monitors and tracks all receivables.

The County Attorney's Office reports that the exceptions identified for signature requirements do not expose the County to any significant financial or legal risk. The services that Elections provided to one agency without a properly executed IGA appears to be an isolated incident and payment ($6,718) was made by the agency. However, providing election services to agencies in the future, without first establishing a formal IGA, could subject the County to financial risk.

Recommendation   Elections should:

A. Ensure that all future IGAs established by the department meet all ARS and County policy requirements.

B. Verify that the department has established formal IGAs with all of the agencies that are currently receiving County election services.

Issue 2 Contract Administration

Summary

Our review of two major Elections contracts found both to be procured in compliance with ARS and Maricopa County Procurement Code requirements. Our testing of contract payments ($1.96 million) found these to be made in accordance with authorized terms. No significant exceptions or control weaknesses were found.

Elections Contracts

Article 3 of the Maricopa County Procurement Code contains numerous procedural requirements for procuring service and supply contracts. These controls ensure that the County obtains the best products available at the most favorable prices. The American Institute of Certified Public Accountants (AICPA) has developed several recommendations to ensure an effective internal control system over invoice processing.

During audit planning activities we noted that Elections manages nine contracts. Two large service contracts, Election Ballot Printing and Optical Scan Vote Tabulation System and Services, are vital to the department's operations. These two contracts together account for millions of dollars of County expenditures. The contracts contain several important provisions that define product, service, pricing, performance, and compliance requirements.

Review Activities and Results

We examined records on file with Elections and the Materials Management Department to determine if the two contracts above were procured in accordance with procurement code requirements. We also reviewed 8 payments, made pursuant to the contracts during FY 2001 and FY 2002, totaling $1.96 million to verify if the purchases and resulting payments complied with contract provisions. The results of our contract procurement review and payment testing activities are summarized below.

- Elections procured the two contracts through the Materials Management Department in accordance with procurement code requirements. No material exceptions were found.

- Contractor invoices were adequately documented in accordance with contract terms. Prior to paying the billings, Elections' contract monitor verifies that products, services, and prices meet contract provisions.

- Elections took advantage of all eligible discounts ($17,355) allowed by the contract.

Recommendation

None, for information only.

Issue 3 Benchmarking

Summary

Six comparable large western U.S. counties have voter registration rates ranging from to 59.1 percent to 80 percent. Maricopa County's voter registration rate is 55.6 percent.

Benchmark Counties

We contacted the election offices from six other large western U.S. counties and requested information relating to budgets, staffing, reporting authority, websites, voting methods, and voter registrations. The counties contacted are: Pima (AZ), Clark (NV), San Diego (CA), Orange (CA), King (WA), and Multnomah (OR).
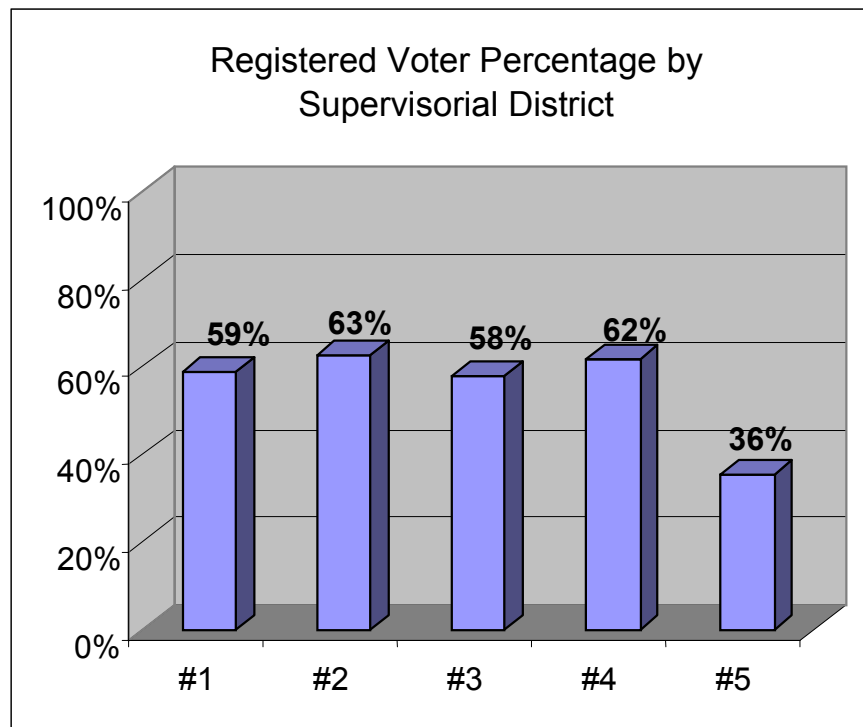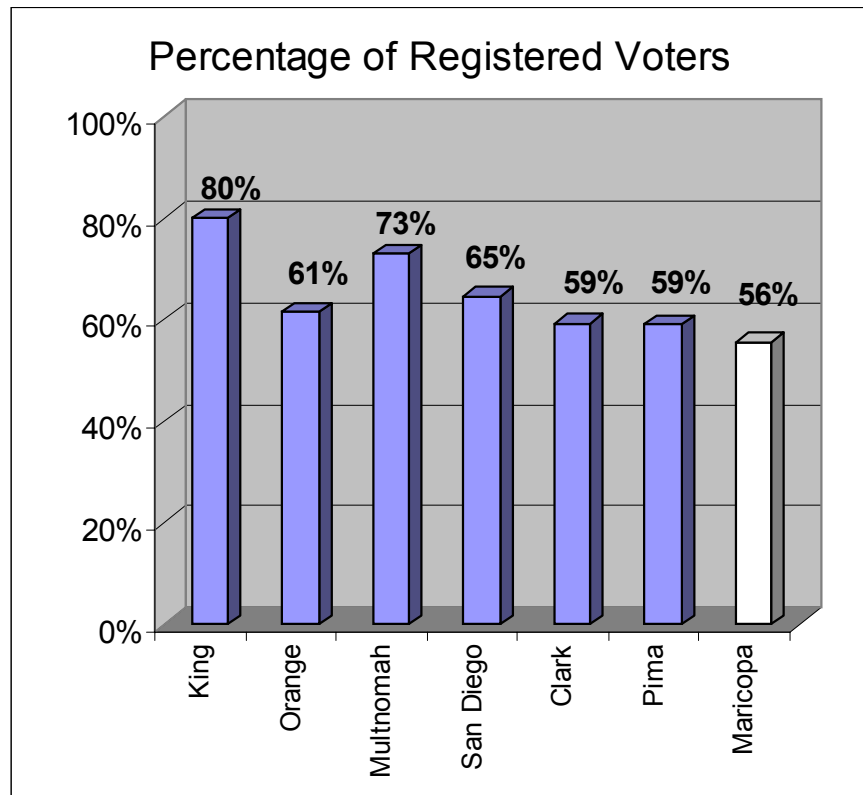
All but Orange County responded to our survey requests. However, we were able to obtain information for Orange County through other sources. Some information (staff size and budget) obtained for all of the counties is not readily comparable due to differences in population, legal requirements, and operational activities.

Voter Registrations

The most significant comparable information that we obtained is the percentage of the counties' population, 18 years of age and older, that is registered to vote. The results, in decreasing order, are: King (80.0%), Multnomah (72.9%), San Diego (64.5%), Orange (61.4%), Clark (59.3%), Pima (59.1%), and Maricopa (55.6%). These percentages are shown by the top graph on the following page. Based on the results, Maricopa County residents appear to have less interest in voting than those of the other counties.

The registered voting percentages of the County's current Supervisor Districts are: District 1 (59.0%), District 2 (62.8%), District 3 (57.9%), District 4 (61.7%), and District 5 (35.5%). These figures are shown by the bottom graph on the following page.

Elections' operations compare very favorably to the benchmark counties in the areas of mail-in/absentee voting, signature verification, and voting method. The department's website provides three features that are not found on the others; Kids Voting, Press Releases, and Judicial Performance Reviews.

Percentage of Registered Voters

County	Percentage
King	80%
Orange	61%
Multnomah	73%
San Diego	65%
Clark	59%
Pima	59%
Maricopa	56%

Registered Voter Percentage by Supervisorial District

District	Percentage
#1	59%
#2	63%
#3	58%
#4	62%
#5	36%

Recommendation   None, for information only.

Issue 4 Ballot Tabulation

Summary

Elections' automatic tabulating equipment and programs have been tested and verified as accurate by the Arizona Secretary of State, as required by ARS. The equipment used in three 2000 elections was tested and no tabulation errors or control weaknesses were identified.

ARS Requirements and Test Results

ARS 16-449 requires the election officers and the Secretary of State to test automatic tabulating equipment and programs to ensure that votes are accurately counted. The test must be observed by at least two election inspectors who are not of the same political party.

Electronic ballot tabulating systems must be tested pursuant to the instructions and procedures manual adopted by the Secretary of State, which requires:

- A logic and accuracy test be processed with a pre-audited group test ballots.

- Include one extra ballot to test the ability of the automatic tabulating equipment to reject overvotes.

- Methods for uploading results into accumulation program.

- Test ballots and programs be sealed in a container immediately after the logic and accuracy test and retained.

The results of the Secretary of States' tests for the 2000 presidential preference, primary, and general elections show the County to be in full compliance with ARS requirements. However, we were unable to verify the Elections' 2001 Logic and Accuracy test results as the documentation was not available for review.

Recommendation

None, for information only.

Issue 5 Information Technology Controls

Summary

Elections appears to have established adequate general controls over the physical security, user access, program changes, and disaster recovery planning of its information technology. Sound information technology controls are important for protecting the integrity, confidentiality, and availability of data maintained in Elections' systems.

General Controls

General controls are the policies and procedures that apply to all or a large segment of Elections' information technology and help to ensure proper operation. The primary objectives for general controls are to safeguard data, protect computer application programs, prevent system software from unauthorized access and ensure continued computer operations in case of unexpected interruptions.

Elections Information Technology

We reviewed general controls at Elections to determine whether:

- Adequate physical security controls exist over access to the computer room. Unauthorized access may result in accidental or intentional damage and/or loss to the department's computer equipment and data. Access should be restricted to only those who need access to perform their daily job duties.

- User access to the Election's voter registration application is restricted on a need-to-know basis based on job responsibilities. Inadequate user access controls diminish the reliability of data and increase risk of destruction or inappropriate disclosure of data.

- Adequate program change controls exist to reduce the risk and exposure to unauthorized changes, program errors and omissions, and other potential problems.

- The Election's Disaster Recovery Plan is complete as required by County Policy A1602.

We found that Elections has improved its computer room access controls and restricts user access to the voter registration application based on job responsibility. The department has established program change controls, to reduce potential risks, and also has developed a current disaster recovery plan to ensure continued business operations in the event of a disaster.

Recommendation

None, for information only.

Department Response

To: Ross Tate, County Auditor

Via: Helen Purcell, County Recorder

From: Karen Osborne, Elections Director

Subject: Response to Elections Department Audit, April 2002

Date: April 8, 2002

Issue#1- Intergovernmental Agreements

Our review of Intergovernmental Agreements (IGA) administered by Elections found overall compliance with ARS and County Policy requirements. Some minor exceptions were identified and the department should strengthen controls in these areas. Elections has established strong controls over billings and accounts receivables for services that the department provides pursuant to IGAs. No exceptions were found during audit testing.

Response: Concur

Recommendation A: Ensure that all future IGAs established by the department meet all ARS and County policy requirements.

Response: Concur—completed, we have established written procedures for handling IGA's to insure meeting all ARS and County requirements. In addition, the County Attorney's Office has reviewed our basic IGA agreement and clarified the signature requirement page.

Recommendation B: Verify that the department has established formal IGAs with all of the agencies that are currently receiving County election services.

Response: Concur—in process, a review has found only one IGA not established and we are working to finalize the agreement.

Target Completion Date: 4/30/02

Issue# 2 - Contract Administration

Our review of two major Elections contracts found both to be procured in compliance with ARS and Maricopa County Procurement Code requirements. Our testing of contract payments ($1.96 million) found these to be made in accordance with authorized terms. No significant exceptions or control weaknesses were found.

Response: Concur

Recommendation: None, for information only.

Issue# 3 - Benchmarking

Six comparable large western U.S. counties have voter registration rates ranging from 80 percent to 59.1 percent. Maricopa County's voter registration rate is 55.6 percent.

Response: Concur – we would like to offer a possible explanation for the wide range of voter registration rates. King, Multnomah and San Diego Counties have relative stable populations who have deep roots in their Communities while Clark, Pima and Maricopa are continuing to grow with a very transient population which moves every three to five years. In addition, Maricopa County has a large migrant population who register to vote in smaller numbers than other groups.

Recommendation: None, for information only.

Issue#4 - Ballot Tabulation

Elections' automatic tabulating equipment and programs have been tested and verified as accurate by the Arizona Secretary of State, as required by ARS. The equipment used in three 2000 elections was tested and no tabulation errors or control weaknesses were identified.

Response: Concur

Recommendation: None, for information only

<u>Issue# 5 - Information Systems Controls</u>

Elections appears to have established adequate general controls over the physical security, user access, program changes, and disaster recovery planning of its information systems. Sound information systems controls are important for protecting the integrity, confidentiality, and availability of data maintained in Elections' systems.

<u>Response:</u> Concur

<u>Recommendation:</u> None, for information only